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RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY  
RUEAWJA/DEPT OF JUSTICE WASHINGTON DC PRIORITY  
RUEHC/DEPT OF LABOR WASHINGTON DC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MANAGUA 000802

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E.O. 12958: DECL: 08/11/2019  
TAGS: [PGOV](#) [ECON](#) [EAID](#) [NU](#)  
SUBJECT: ORTEGA ANNOUNCES FSLN-LED GROUPS RESPONSIBLE FOR  
LOCAL BUDGETS

REF: A. MANAGUA 754  
[B](#). 08 MANAGUA 350  
[C](#). 08 MANAGUA 130

Classified By: Ambassador Robert J. Callahan, for reasons 1.4 (b & d)

[1](#). (C) Summary: On August 6, and in the presence of the 109 FSLN mayors, President Daniel Ortega launched the "Great National Consultation on Municipal Budgets." This program calls on all Nicaraguans to participate in the party's Citizen Power Council (CPC) system to develop (and even "decide") local budgets. While Nicaraguan law does call for citizen participation in the development of local budgets, it does not (as Ortega is attempting) restrict Nicaraguans' participation to the CPCs. Ortega's most recent statements suggest he will make good on past promises to subordinate local authorities to the FSLN's CPC structure and further increase the role of the governing party in managing local resources and governance. End Summary.

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The Great Consultation ... Within the Party Structure  
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[2](#). (SBU) On August 6, President Daniel Ortega and First Lady (and head of the Citizen Power Councils) Rosario Murillo launched the "Great National Consultation on Municipal Budgets," which calls on Nicaraguans to participate in the Sandinista National Liberation Front's (FSLN)-controlled CPC structures for the development of municipal budgets. Present at the event were the 109 FSLN mayors (of a total of 156 mayors in the country); 18 "opposition" party mayors were also present. Matagalpa Mayor Sadrach Zeledon (FSLN) read the proclamation calling for Nicaraguans to "mobilize, organize, and participate in Assemblies, Cabinets, Congresses and Town Halls of the Citizens Power to discuss, debate, share, come to a consensus on and decide on the municipal budget." This subordination of local governments to CPCs in the development of the local budgets is a continuation of the FSLN's plan to have CPCs dominate local affairs. Murillo first announced the plan in March 2008 when the FSLN selected its candidates for the municipal elections later that year (ref B).

[3](#). (SBU) Ortega referred to the Nicaraguan Constitution to

justify this consultative process, specifically citing articles 48, 49 and 50. However, these articles are broad principles referring to the rights of citizens to "effectively participate in the political, economic, and social life of the country" (Art.48), the right to organize (Art. 49), and the right to participate in public matters (Art. 50). Experts on local governance highlight the illegality and arbitrary nature of this "Great Consultation."

They note this approach challenges the autonomy of local governments by subordinating basic municipal authorities to the CPCs (and ultimately the FSLN) and undermines the legal, pre-established structures and institutions for the consultative process. The Citizens Participation Law of 2003 calls for local governments to establish Municipal Development Committees (CDMs) to provide consultation on municipal budgets. The law, however, gives mayors ultimate responsibility for local budgets.

14. (SBU) According to the law, CDMs are non-partisan, pluralist organizations which should reflect the various actors and organizations of the municipality. By contrast, CPCs are pari-party entities controlled and managed by the FSLN leadership that mirror the official government structure at all levels - national, regional and local. Ortega established the CPCs in 2007 by Presidential decree and provoked a constitutional crisis when he sought public funding for these groups, which the National Assembly twice rejected as illegal. Ortega subsequently subverted the legislature, again via Presidential decrees, by placing the CPCs under the umbrella of the Council of Economic and Social Planning (CONPES) and naming his wife as CONPES Executive Secretary (ref C). In doing so he also violated the Constitutional prohibition on immediate family members of the president holding or seeking public office.

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Comment  
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15. (C) The FSLN's attempt to control all levels of government continues, even after the November 2008 electoral fraud handed the party 109 of 156 municipalities. This latest move further weakens the legal, pre-established and non-partisan institutions for citizens participation in local governance and replaces it with an FSLN structure that facilitates the party's ability to direct resources for partisan purposes. This "Great Consultation" also might provide Ortega an opportunity to deflect criticism for the country's fiscal woes (ref A). As presidential economic advisor Bayardo Arce recently told reporters regarding the third budgetary cut to come, "less tax revenue will result in less funds for local governments." By giving the FSLN base (through the CPCs) some ownership over how to direct or prioritize local spending, the FSLN might diffuse possible tensions within the party brought about by constantly dwindling funds and resources.

CALLAHAN